Technical and Bibliographic Notes / Notes techniques et bibliographiques

The Institute has attempted to obtain the best original copy available for filming. Features of this copy which may be bibliographically unique, which may alter any of the images in the reproduction, or which may significantly change the usual method of filming, are checked below.

L'Institut a microfilmé le meilleur exemplaire qu'il lui a été possible de se procurer. Les détails de cet exemplaire qui sont peut-être uniques du point de vue bibliographique, qui peuvent modifier une image reproduite, ou qui peuvent exiger une modification dans la méthode normale de filmage sont indiqués ci-dessous.

- [x] Coloured covers/ Couverture de couleur
- [x] Covers damaged/ Couverture endommagée
- [ ] Covers restored and/or laminated/ Couverture restaurée et/ou pelliculée
- [ ] Cover title missing/ Le titre de couverture manque
- [ ] Coloured maps/ Cartes géographiques en couleur
- [ ] Coloured ink (i.e. other than blue or black)/ Encre de couleur (i.e. autre que bleue ou noire)
- [ ] Coloured plates and/or illustrations/ Planches et/ou illustrations en couleur
- [ ] Bound with other material/ Relié avec d'autres documents
- [ ] Tight binding may cause shadows or distortion along interior margin/ La reliure serrée peut causer de l'ombre ou de la distorsion le long de la marge intérieure
- [ ] Blank leaves added during restoration may appear within the text. Whenever possible, these have been omitted from filming/ Il se peut que certaines pages blanches ajoutées lors d'une restauration apparaissent dans le texte, mais, lorsque cela était possible, ces pages n'ont pas été filmées.
- [ ] Additional comments:/ Commentaires supplémentaires:

- [ ] Coloured pages/ Pages de couleur
- [ ] Pages damaged/ Pages endommagées
- [ ] Pages restored and/or laminated/ Pages restaurées et/ou pelliculées
- [x] Pages discoloured, stained or foxed/ Pages décolorées, tachetées ou piquées
- [ ] Pages detached/ Pages détachées
- [x] Showthrough/ Transparence
- [ ] Quality of print varies/ Qualité inégale de l'impression
- [ ] Continuous pagination/ Pagination continue
- [ ] Includes index(es)/ Comprend un (des) index

  Title on header taken from:/ Le titre de l'en-tête provient:

- [ ] Title page of issue/ Page de titre de la livraison
- [ ] Caption of issue/ Titre de départ de la livraison
- [ ] Masthead/ Générique (périodiques) de la livraison

This item is filmed at the reduction ratio checked below/
Ce document est filmé au taux de réduction indiqué ci-dessous.

10X	12X	14X	16X	18X	20X	22X	24X	26X	28X	30X	32X
					✓						

Harris
Edward

WHAT EVERY CITIZEN SHOULD KNOW

A Review of
Civic Ownership

By

EDWARD HARRIS

Author of "Our Great Lake Fisheries — A Passing Heritage," "The Ontario Commercial Fisheries, How and Why Destroyed," "Canada, The Making of a Nation," Etc.

Price, 10c.

William Briggs Publisher
Toronto
1908

Civic Ownership Tried and Failed

Many Municipalities Borrowed Money for Enterprises and Investments—Some Notable Instances of Complete Losses.

It is not probable that one man in a thousand knows that Municipal Ownership has already been tried in Ontario, and has failed.

The story of the "Municipal Loan Fund" is interesting and should not be forgotten.

With the construction of the Grand Trunk Railway and the Great Western—now Grand Trunk—it was natural that every town, village and township should long for a railway or branch line.

A Millenium Promised.

The usual arguments were used, "That trade, commerce and manufactures should be encouraged at all points, creating widespread prosperity and remunerative employment for all." The question was: "Where was the money to come from?" At that date there were only eight Chartered Banks, with capital so limited as to be barely sufficient for ordinary business

purposes. Borrowing in England was out of the question. Municipal credit had not been established there; some sort of legislative approval became necessary.

The difficulty was solved by the Legislature of the day passing what was called "The Municipal Loan Fund Act, A.D. 1852." Under its provisions money was permitted to be borrowed by the various municipalities for the construction of railways, local improvements and industries. In a short time after the passing of that Act no Municipal Councillor considered himself fully equipped unless appointed a railway director, with a full line of railway passes.

How it Arrived.

The following is a list of some municipal investments and the results under municipal ownership:

The Township of Bertie borrowed...	$ 40,000
The Township of Brantford borrowed	150,000
Huron and Bruce (County).....	500,000
Township Canboro'	8,000
Townships of Moulton and Sherbrooke	20,000
County of Huron	300,000
County of Perth	200,000
Town of Paris	40,000

0 911120

Town of Stratford (Bonds, $20,000)	....	100,000
Township Wainfleet	....	20,000
		$1,378,000

The above sums were borrowed in 1853 for the construction of the Buffalo, Brantford and Goderich Railway. Any scheme which those counties, townships and towns had in view utterly failed. The investment proved a total loss. In 1861 those municipalities became financially embarrassed. It required some effort to persuade the Grand Trunk Railway to take the road as a free gift. Having wrecked their fortunes a great corporation picked up the scraps for nothing.

Similar Instances Follow.

Brockville ran up a railway debt of $400,000, which proved worthless.

Cobourg borrowed $50,000 for investment in Cobourg and Peterboro' Railway—a total loss.

Chippawa borrowed $26,000.

Town of Niagara, $280,000.

Wreck and Ruin.

These amounts were borrowed for the construction of the Erie and Ontario R.R. When

Niagara's day of settlement came, the arrears of interest were $286,000, making a debt of $560,000. The investment was a total loss.

The Town of Dundas borrowed $52,000 for the Desjardins Canal. It is there yet, a total loss.

In 1854 County of Elgin borrowed $80,000.
City of London, $375,000.
And a further loan of $220,000.

These sums were borrowed for the construction of the London and Port Stanley R.R., a 25-mile road. All told, London put in $615,000. For some years the City Council made a strenuous but futile effort to keep the road in running order. Then the Great Western R.R. leased for twenty years at a small rental, but declined to consider an offer to purchase at any price. It was an utter failure as a municipal ownership scheme; as an investment it was a total loss.

Losses on Railways.

The Counties of Lanark and Renfrew borrowed $800,000 for the Brockville and Ottawa Railway. When bankruptcy and day of settlement came, the arrears of interest were $627,834, making a debt of $1,427,834.

The Township of Elizabeth borrowed $154,000 for the same road and became bankrupt with a debt of $282,316.

The Town of Guelph borrowed $80,000—all lost in the Galt and Guelph R.R.

The Township of Hope borrowed $60,000, and Port Hope borrowed $860,000, for the Port Hope and Lindsay R.R.—a total loss.

Money Thrown Away.

Township of Norwich borrowed $200,000; Township of Woodhouse borrowed $80,000; Township of Windham, $100,000; Town of Woodstock, $100,000; Town of Simcoe, $100,000; in all $580,000, for the Woodstock and Lake Erie R.R. The present line of railway is not even upon the graded and bridged line of railroad partly constructed by the municipalities. The investment was a total loss.

Ottawa borrowed $200,000 for Bytown and Prescott R.R., now St. Lawrence and Ottawa R.R., usually described as a total loss. Prescott borrowed $100,000, lost in same railway.

The Town of Peterboro' borrowed $100,000 for a branch railroad from Millbrook; a portion of this was saved, a personal bond having been given.

Worthless Stocks.

St. Catharines borrowed $190,000 for the Port Dalhousie and Welland Railway, for carriage drives, and the St. Catharines and Wel-

land Canal Gas Light Company. These investments resulted in "no revenue" and "worthless stocks." St. Catharines was scheduled in the list of bankrupt municipalities.

And there are others. Including cities, towns, counties and townships, forty-five municipalities failed to pay interest on their debenture issue, and were scheduled as "bankrupt."

All these borrowings had been paraded as "revenue producing." The municipalities had already incurred the usual liabilities for local improvements.

Twelve Millions in Debt.

In 1872 the municipal indebtedness created under the Municipal Loan Fund Act amounted to $12,000,000 with practically no assets. The equivalent of about $30,000,000 at this date. A number of municipalities were in the hands of the sheriff and the financial standing of the whole province was seriously affected and endangered.

A commission was appointed by the Legislature of Ontario to investigate and report. That report said: "That the debts having been permitted to be contracted under legislative enactment, the municipalities must have legislative relief, and the municipalities got out of the hands of the sheriff and save the financial stand-

ing of the province." It was then discovered that a municipal corporation has no assets except the taxing power.

A settlement was made by which the municipalities undertook to pay (by debenture issue) $1,500,000, and the province lost about $10,500,000.

That this elaborate and disastrous scheme of "municipal ownership" should be the first of the kind recorded in history is worthy of investigation by the student. The American municipalities did not begin until after the close of the Civil War—and they had their bankruptcies.

The Province's Credit.

Even one defaulting municipality can seriously affect the credit of an entire province. As late as 1880 some of the wealthiest and most solvent counties, which had never been drawn into the municipal ownership bubble, had difficulty in borrowing upon debentures for legitimate local improvements.

Every municipality in Canada has a direct interest in guarding against legislation which creates an opening for financial disaster.

Credit is as necessary for the development of a new country as it is to the struggling and ambitious business man, or, indeed, to any capable man, requiring capital.

Nor should it be overlooked at the present time, when the air is highly charged with electricity and a municipal ownership craze full on, that a precedent has been established that the Province must "foot the bill" for all "frenzied finance" losses encouraged under legislative enactment.

English Financiers Frightened.

That the credit of the Province of Ontario was seriously affected at that time was too clearly proved by the failure of the late Hon. Adam Crooks, a Minister of the best reputation and high standing, to float the $1,500,000 municipal bonds in England.

None of the English financial houses would touch them, although the indebtedness of each municipality had been reduced to an amount so small that principal and interest could be met without increased taxation. The debentures were as good as gold, but municipal credit was gone. Mr. Crooks finally succeeded in getting the Colonial Securities Company (for which he was solicitor) to take the debentures at a rate to pay 7 per cent. At that date, A.D. 1873, some of the Toronto loan companies were borrowing upon debentures in England at 4 per cent. The word "municipality" spelt "defalcation."

The Mayor of Winnipeg, Mr. Ashdown, recently saved the credit of that city by "veto power." It may be that he had knowledge of these facts.

It is not surprising after these experiences—now apparently forgotten—that the municipalities adopted a safer plan—the bonusing system—giving what they could afford, leaving the profits, if any, to those captains of industry who possessed that special knowledge to ensure success and give confidence in the money market when capital was required.

A Slow Recovery.

The province did not recover from this municipal fiasco for more than twenty-five years. Taxes increased; loans of money, on mortgages, ranged from 10 per cent. to 15 per cent. per annum; land was unsalable; immigration ceased; agricultural depression followed; many farms were abandoned to the mortgagees; some localities have not recovered to this day. Building ceased, the workingmen and young men of the country left in large numbers for the various American cities, leaving the landowners and house-holders and the various established business and professional interests to grieve and suffer from the depression. In 1868 an Act was passed permitting lands to be sold

for taxes for what was offered, the accumulated taxes being far in excess of the value of the lots. This was the rebound after an era of wild extravagance, with many millions of municipally borrowed dollars never repaid into the Provincial Treasury.

The "Old Boys" Reunions.

Not many of the present generation know that the "old boys" celebrations, which from time to time occur in Ontario, are the result of "municipal ownership" in the "fifties." One town, with a present population of about 1,000, which at one time had expectations of becoming a large city from its municipal undertakings, had to entertain some 2,000 or 3,000 "old boys," who had grown to manhood in the neighboring Republic.

"All is Vanity."

Lavater, the famous German physiognomist, in his beautifully illustrated edition, says that "vanity is the chief characteristic of all women." That may be true of women "Made in Germany." Had he said it was the chief characteristic of many city, town and village councillors he would have made a record statement for truth.

A Rare Success.

When we hear of municipal ownership being a success in some city or town in the British Isles, the councillors or aldermen are there elected for a term of three or four years, a portion retiring each year. Moreover, in those Old Country communities there are business men long established and of high standing, and many patriotic men of leisure, with a special knowledge fitting them to guide and pass judgment upon financial and business undertakings, nor are the conditions there ever changing, as in a new country. Still the successes are few and far between. The great City of London rose up in her might and said, "No more of it." Even in that great money centre of the world the sting of high taxation and a depreciating credit (the result of speculative and extravagant municipal undertakings), was felt. They had failed to float their city debentures.

Undesirables.

From the English and Scotch towns and Continental countries, there is a steady emigration of "undesirables." Many such we return, but the word "undesirable," from a municipal point of view, covers more than "vice" and "disease." Too many councillors are wholly

unfitted for the duties they are elected to perform.

All immigrants—more or less—have the "get rich quick" idea. Personal gain is their first thought; public interest takes a secondary place. This in a measure accounts for the reign of "Graft" which the country at various times has passed through. The conditions in a new and rapidly growing country, largely through influx, make municipal ownership of industries a specially dangerous experiment. Canada at the present time can hardly be called "a country." *It is "a procession."*

The Way Out.

Although the average standing of representative men fifty years ago was as high in Ontario, if not higher, than at present, they failed to make their municipal undertakings a success. All had great expectations and were honestly enthusiastic. They embarrassed the entire province and checked progress for a quarter of a century. The construction of the Canadian Pacific Railway, in 1881, by a private corporation, followed by the Canadian Northern Railway and other important enterprises, the result of individual activity and financial ability, was, in fact, the way out. Under such a system the credit of all the provinces and the municipali-

ties has steadily advanced. It is individual man, not "municipalities," that has made the world progress.

Canada.

Canada is destined to be, if not already, the great thoroughfare of the world. In another fifty years one-half her population will be in the cities. This would not be peculiar to Canada. The cities of Berlin and Vienna have increased more rapidly than New York and Chicago. The population of London is greater than that of Canada from the Atlantic to the Pacific.

Flocking to the Cities.

Immigrants show little inclination to till the soil. They scatter to the towns and cities. Even the Doukhobors are not happy on their free grants. All have a dream of "high wages" and "shorter hours." It has been this influx to the cities which has caused the cry for municipal ownership and municipal management of industries. Employment is looked for under some plan where "terms" can be successfully dictated.

Less than one hundred years ago the cry of the people was against Government regulation and control. Individual enterprise was then

crushed; workmen were starved; revolutions followed; dynasties were overturned to obtain an independence which was then called "freedom." Now the cry is for municipal and Government control. The situation is reversed. The lessons of history have been forgotten, if ever understood. Bureaucracy, or Government control of all industries, is now bankrupting Russia. State ownership, directing, absorbing or controlling all enterprise, is now bankrupting Australia. Whether it is a tyranny of an aristocracy or of a democracy, the crushing of individual freedom and action produces the same result.

The Whirlabout.

In some countries this "whirlabout" has been on for some time with various results, usually disastrous; when disastrous, the landowner, the house-holder, the various private enterprises and established industries and mercantile and manufacturing houses pay the bill. Everything that taxation can reach pays the penalty for reckless and incompetent management.

To guard against such disasters various remedies have been suggested. As without experience there can be no good management—that municipal councillors should be elected for

longer terms (three or six years), a certain number retiring each year to create a continuity. The elimination of the "political boss" and all professional politicians has been declared imperative. At the present time the mayors in some European cities are appointed for a fifteen-year term. In Germany they advertise for a competent mayor—for long term—as the principals of various universities are now secured.

In the United States, where State universities are the rule, education is regarded as the future safeguard in municipal affairs. It is even suggested that chairs should be established and endowed to educate young men in all that appertains to municipal affairs, and that a "degree" should be a necessary part of the qualification for office.

Such regulations as these, if generally adopted, would cause the citizens to gaze upon councillors and aldermen so elected and qualified with the same admiration that they now gaze upon various palatial buildings in which so many discredited municipal officers have done their blundering.

During the last ten years volumes have been written upon the subject of municipal ownership and management of industries. The

experience of many countries has been condensed, digested and sifted, the one undisputed conclusion arrived at being that no municipal council elected for short terms is competent to manage industries, and that not many such are competent to manage the simpler municipal duties which devolve upon them.

One Year Aldermen.

The members of the House of Commons are elected every five years, and of the various Legislatures every four years. There are neither duties nor conditions connected with municipal affairs to warrant the yearly expense and turmoil of an election to produce or reproduce a councillor. At one time it was regarded as "an aid to immigration" to make the enfranchisement of the immigrant an attractive feature, and to keep the fact that he had a vote or might have one always in sight. This is no longer a taking bait. In the British Isles and many European countries universal suffrage has become practically the rule.

Long Terms Needed.

Long terms of office attract the better men. We now too frequently have a conglomeration of men airing a fad, neglecting important muni-

cipal necessities, worrying rather than guiding and assisting the various enterprises incident to the municipality, and at the end of a year passing into oblivion. Under such a system, Citizen's Associations have at various times been formed of a necessity to look after and re[illegible]late municipal affairs, and it may happen again. In this connection an extract from an article written by a distinguished professor of an American university, is not only interesting but instructive:—

"When the cities show the willingness and the ability to create a truly efficient civil service the field may not be so difficult for the public administration of public services, but until such a move is not only advocated, but carried out in good faith, any addition to the activities of a city only opens a larger pay-roll for the exploitation of the 'boss.'

Philadelphia's Example.

"In Philadelphia, managing her own gas works, hardly a branch of this now famous and disastrous experiment failed to show signs of exploitation for political purposes. High wages were paid, 25 per cent. over the price of labor in the open market. The chief of the Gas Bureau was constantly besieged by the friends

of various councilmen in search of easy work at high prices. The lists were padded with a number of laborers far beyond the needs of the plant. So many were there that had all the employees stood shoulder to shoulder room could not be found for them on the grounds of the plant. Some favored ones only turned up on pay day, and all such made voluntary contributions to the party in power. Coal was bought from favored firms only. The residual tar and ammonia went to a single firm. Coke the same way. There was a secret blanket account of $100,000 a year and a large expenditure for ice, matches, drugs and horse medicine. Small and rotten mains and service pipes were left unrenewed, causing a leakage of 30 per cent. of the gas manufactured. Antiquated machinery was kept in use at great loss to save expenditure. In place of public gas lamps, light was bought at high prices from gasoline and electric lighting companies. These were private concerns, in which councilmen and their friends were interested."

Bankruptcy.

Carlyle, in one of his brilliant essays, says: "*Great is Bankruptcy,*" "*Honor to Bankruptcy.*" "*Ever righteous in the great scale,*

though in detail it is so cruel. No falsehood, did it rise heaven high and cover the world, but Bankruptcy, one day, will sweep it down and make us free of it."

The larger Canadian cities, being headquarters of divinity, medicine, law and learning, an example of wisdom guided by caution is looked for from those favored communities.

EDWARD HARRIS.

228 Macpherson Ave., Toronto.